

**PUBLIC DISCLOSURE**

MARCH 22, 2004

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CABOT BOSTON CREDIT UNION**

TWO SEAPORT LANE  
SUITE 1300  
BOSTON, MASSACHUSETTS 02210

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Cabot Boston Credit Union (the Credit Union) prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire membership in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial credit unions: 1) Average Net Loan to Share ratio, 2) Lending to Members of Different Incomes and 3) Fair Lending.

The Credit Union's average net loan-to-share ratio for the previous four semi-annual periods is 48.7 percent. In consideration of the Credit Union's small asset size and limited resources, it meets the standards for satisfactory performance.

An analysis of the Credit Union's consumer lending activity by borrower income for 2001, 2002 and 2003, revealed that the Credit Union originated a good number of loans to low and moderate income members. The Credit Union meets the standards for satisfactory performance for this criterion.

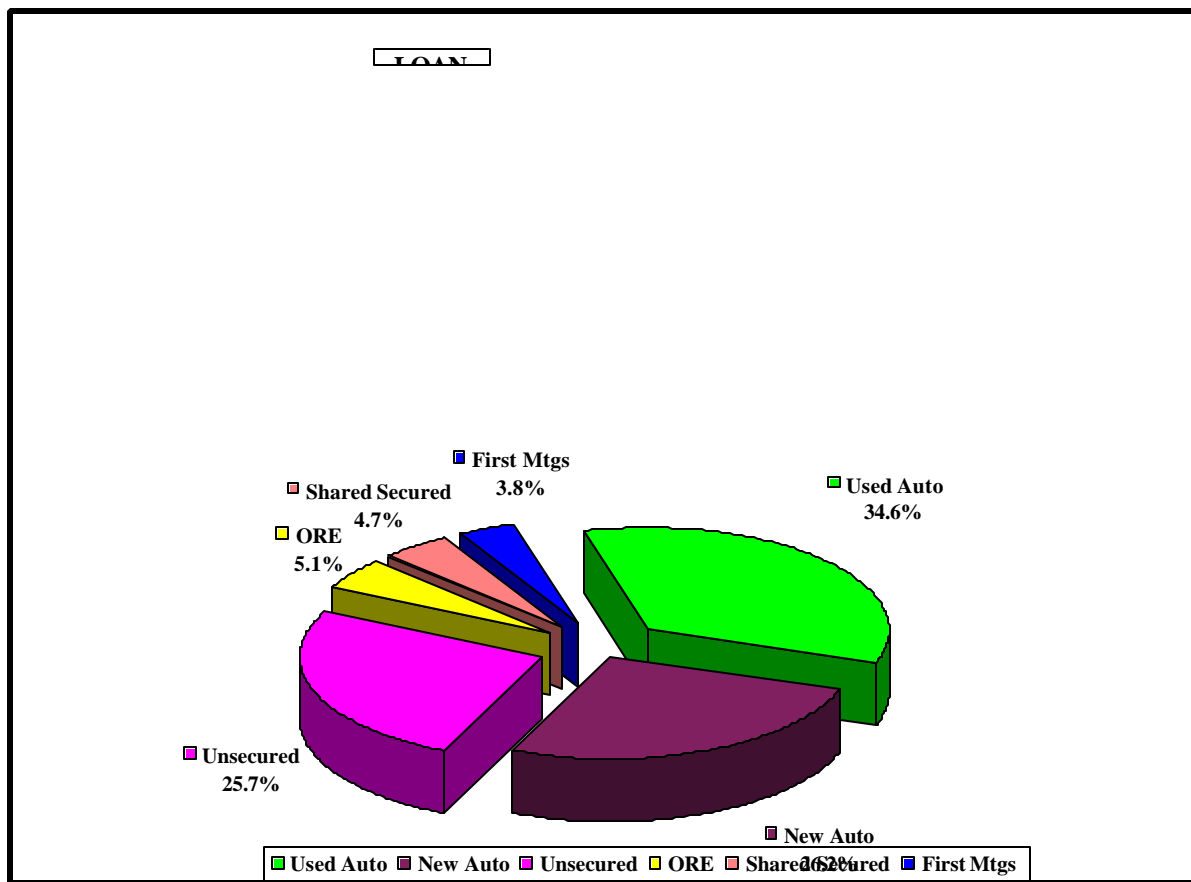
The Credit Union's fair lending performance was considered satisfactory.

## PERFORMANCE CONTEXT

### Description of Institution

Cabot Boston Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1941 for the purpose of promoting thrift among its members and the loaning of such savings to its members. As an industrial credit union, Cabot Boston Credit Union is member-oriented and is committed to ascertain and meet the credit needs of all its membership. As of December 31, 2003, the Credit Union had assets of \$10.2 million while loans comprised approximately 37.6 percent of all assets for a total of approximately \$3.8 million. The loan portfolio is composed of first mortgages, unsecured new automobiles, used automobiles, other real estate and share secured loans. The largest number of the Credit Union's loan portfolio, 34.5 percent, consists of used automobile loans. Although the Credit Union has a portfolio of first mortgage loans, they are no longer offered. However, member inquiries regarding the availability of a first mortgage product are referred to CUMEX Mortgage Service Center, Inc.

The following chart illustrates the composition of the loan portfolio.



The Credit Union moved to a new location from its previous location at 75 State Street, Boston in 2000. Its sole office is now located at Two Seaport Lane in the Seaport District of Boston's Waterfront. The Credit Union's office location and banking hours are considered convenient and accessible to its members.

## **Description of Institution (continued)**

Other than the Credit Union's small asset size and limited resources, there appears to be no significant financial or legal impediments, which would limit the Credit Union's ability to help meet the credit needs of its membership.

The Credit Union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on March 3, 2000. That examination resulted in a Satisfactory rating.

## **Description of Assessment Area (Membership)**

The Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. The Credit Union has elected to identify its assessment area in this manner.

The Credit Union's by-laws state, in part, that the Credit Union's membership is limited to:

(a) Employees of CABOT CORPORATION, a Delaware corporation, and its subsidiaries; and

(b) Members of the immediate families of such employees.

Notwithstanding the above, the Board of Directors may further limit membership to persons specified in (a) or (b) above who are included in a group or classification which the Board of Directors shall have specifically designated from time to time as eligible for membership...

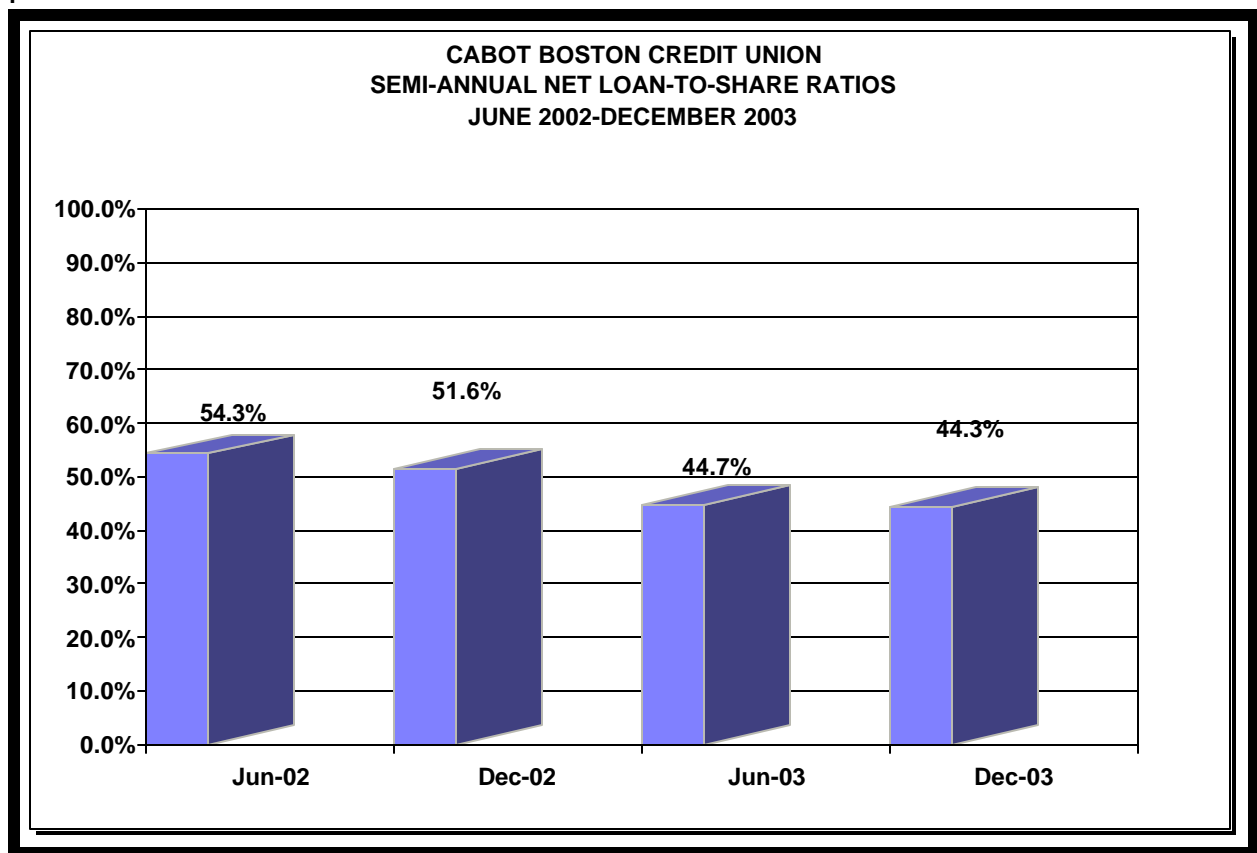
## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of the Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated four, semi-annual periods of the Credit Union's net loan to total share figures utilizing the NCUA's (National Credit Union Administration) 5300 call reports. This review included the semi-annual periods ending June 30, 2002, through December 31, 2003. The institution's average net loan-to-share ratio during this period was determined to be 48.7 percent which is satisfactory considering its commitment to lending to its membership and its small asset size and limited resources.

## LOAN TO SHARE ANALYSIS (continued)

The following graph illustrates the loan-to-share trends

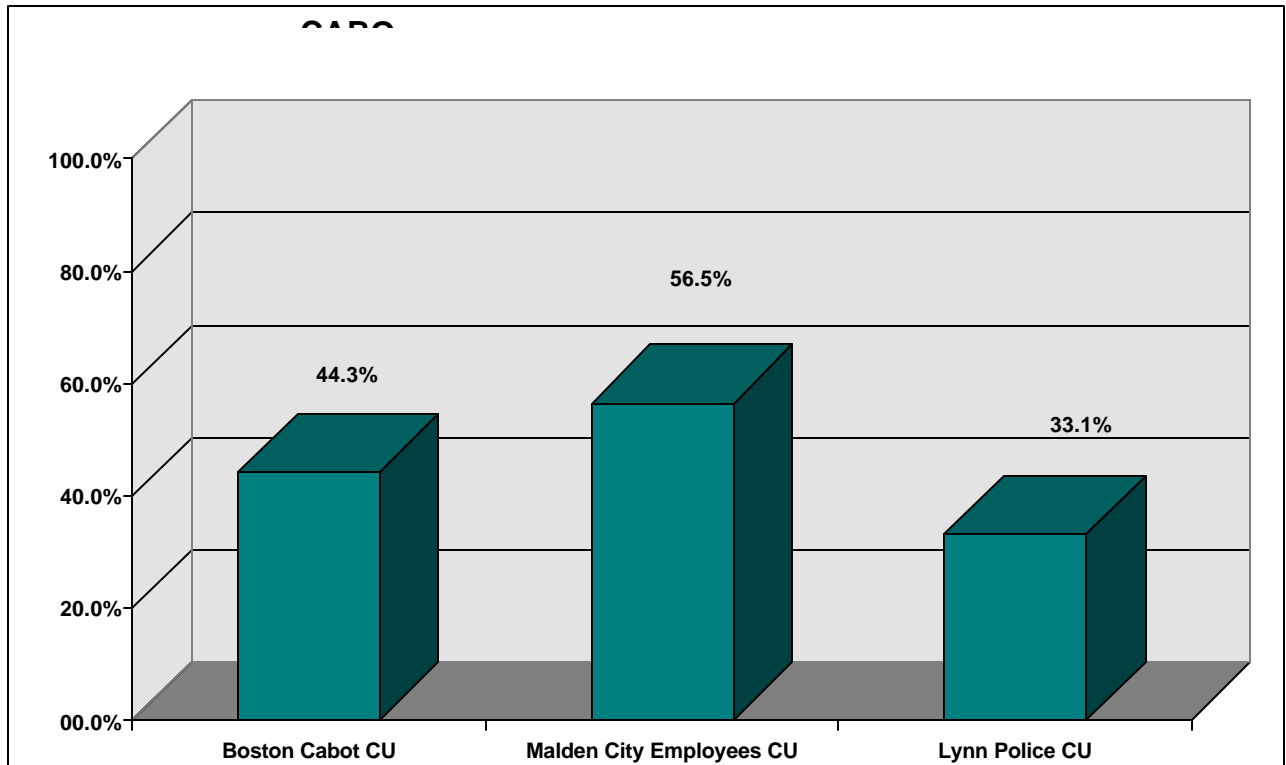


Source: NCUA Call Reports

In reference to the above graph, the credit union's ratios are relatively low however; according to management, the low ratios are due to members refinancing and paying off existing debt as well as low interest rates through dealership financing.

## LOAN TO SHARE ANALYSIS (continued)

The following graph illustrates the loan-to-share trends for two similar institutions.



Source: NCUA Call Reports

The Credit Union's loan-to-share ratio is reasonable when compared to two credit unions of similar asset size.

Therefore, based on the above information and the Credit Union's capacity to lend, the capacity of other similarly-situated institutions to lend to their members, the lending opportunities available within the organization and its small asset size and limited resources, the Credit Union's loan-to-share ratio meets the standards for satisfactory performance.

## 2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of sample of consumer loans extended to the Credit Union's membership among various income levels was conducted. Originations were categorized by the ratio of the applicants reported incomes to the 2001, 2002 and 2003 estimated median family incomes of the Boston and Lowell Metropolitan Statistical Areas (MSA) since the majority of members reside within these two MSAs. Originations were categorized by the ratio of the applicant's reported incomes to the 2001, 2002 and 2003 estimated median family incomes of the Metropolitan Statistical Areas (MSAs) which are included in the following table.

<b>MSA NAME</b>	<b>Median Family Household Incomes 2001</b>	<b>Median Family Household Incomes 2002</b>	<b>Median Family Household Incomes 2003</b>
Boston MA-NH/ 1120	70,000	74,200	80,800
Lowell MA-NH/ 4560	70,200	75,200	79,700

Source: Income figures were based on estimated 2001, 2002 and 2003 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

## **CONSUMER LENDING**

A sample of 61 consumer loan originations for 2001, 2002 and 2003 was reviewed for the current examination period. This analysis revealed the Credit Union's lending activity by various income categories. The information included in the table below indicates that the highest number of consumer loan originations, 54.1 percent, was granted to moderate-income members and 11.5 percent was granted to low-income members.

### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER**

% OF MEDIAN MSA INCOME	2001		2002		2003		TOTALS	
	#	%	#	%	#	%	#	%
<50%	1	5.3	3	13.6	3	15.0	7	11.5
50% - 79%	13	68.4	8	36.4	12	60.0	33	54.1
80% - 119%	2	10.5	7	31.8	2	10.0	11	18.0
120% >	3	15.8	4	18.2	3	15.0	10	16.4
<b>TOTALS</b>	<b>19</b>	<b>100%</b>	<b>22</b>	<b>100%</b>	<b>20</b>	<b>100%</b>	<b>61</b>	<b>100%</b>

Source: In-House Credit Union Files 2001, 2002 and 2003.

By dollar amount, the largest number of originations, 48.2 percent, was granted to moderate-income members, followed by 14.5 percent, granted to low -income members.

### **CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2001		2002		2003		TOTALS	
	\$000s	%	\$000s	%	\$000s	%	\$000s	%
<50%	12	6.5	31	17.9	39	18.9	82	14.5
50% - 79%	114	61.6	52	30.1	106	51.5	272	48.2
80% - 119%	21	11.4	55	31.8	14	6.8	90	16.0
120% >	38	20.5	35	20.2	47	22.8	120	21.3
<b>TOTALS</b>	<b>185</b>	<b>100%</b>	<b>173</b>	<b>100%</b>	<b>206</b>	<b>100%</b>	<b>564</b>	<b>100%</b>

Source: In-House Credit Union Files 2001, 2002 and 2003.



## **CONSUMER LENDING (continued)**

It should be stated that consumer loans typically consider the income of only one borrower. Therefore, the percentage of loans to low and moderate income borrowers is higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes.

The Credit Union has shown a willingness to lend to applicants of low and moderate-income. The distribution of credit among borrowers, given the characteristics of the Credit Union's membership and the above information, reflects a good dispersion among individuals of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

### **3. REVIEW OF COMPLAINTS/FAIR LENDING**

The Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the Credit Union has procedures in place should any consumer complaints related to CRA be received.

## **FAIR LENDING POLICIES AND PRACTICES**

The Credit Union's small size and limited resources directly impact the extent to which it can address certain areas. However, the Credit Union has a formal fair lending policy which meets the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy.

The Credit Union's marketing activity includes placing information pertaining to its credit products and services in public view within its main office and Cabot offices and plants where its members are employed. The Credit Union also includes statement stuffers in correspondence sent out to the membership and brochures are located in the credit union's office. The Credit Union staff regularly visits the Billerica plant to take loan applications and assist members with their banking and credit concerns.

The Credit Union has a second review policy in place. The credit committee reviews all declined and withdrawn loan applications. If the loan is refused or a counter offer is made by the credit committee, the loan is sent for second review to the Chairman of the Credit Committee, who has not previously acted on the application.

Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## CABOT BOSTON CREDIT UNION

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **March 22, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.